

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

REVIEW REPORT
OF
INDIANA SCHOOL FOR THE BLIND
STATE OF INDIANA
April 1, 2001 to March 31, 2004

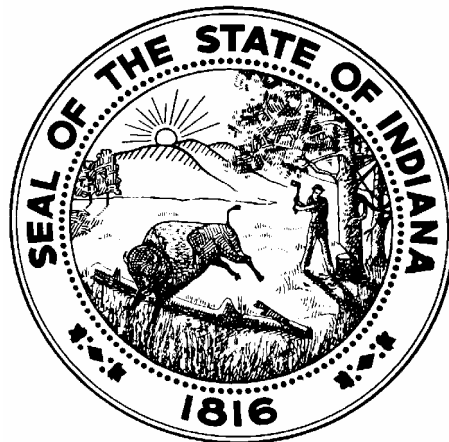


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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Dr. Michael Bina Mr. James R. Durst	04-01-01 to 07-05-01 07-06-01 to 06-30-04
President of Board	Ms. Julianna Newland Mr. Gary Bates	04-01-01 to 06-30-03 07-01-03 to 06-30-04



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE INDIANA SCHOOL FOR THE BLIND

We have reviewed the receipts, disbursements, and assets of the Indiana School for the Blind for the period of April 1, 2001, to March 31, 2004. Indiana School for the Blind's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Indiana School for the Blind are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

May 18, 2004

INDIANA SCHOOL FOR THE BLIND REVIEW RESULTS AND COMMENTS

INTERNAL CONTROLS – SEGREGATION OF DUTIES

We noted the following concerning the controls over the receipting, disbursing, recording, and accounting for financial activities of the Student Trust Fund. One individual records transactions to the ledger, writes the checks, creates the deposits, reconciles the checking account and creates the monthly reports.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

UNCLAIMED PROPERTY

The Indiana School for the Blind's Trust Fund account had several students' trust accounts which were inactive due to students leaving the school without leaving a forwarding address. When the accounts were inactive for an unspecified period of time, the funds were transferred to the Recreation Fund.

IC 32-9-1.5-20 provides that property becomes abandoned if held by the State or other government, governmental subdivision or agency, or public corporation or other public authority one year after the property becomes distributable.

IC 32-9-1.5-26 and 27 require a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General.

DAILY DEPOSITS

The Indiana School for the Blind did not consistently deposit receipts for the Trust Fund within the following business day.

IC 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

INDIANA SCHOOL FOR THE BLIND
REVIEW RESULTS AND COMMENTS
(Continued)

ACCOUNTING RECORDS

The Indiana School for the Blind uses a computerized accounting system that is not approved by the State Board of Accounts for its Trust, Recreation and Canteen funds. The computerized accounting system does not leave an adequate audit trail of posted transactions. Transactions are easily modified or deleted.

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system through all system processing and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 16)

FIXED ASSET INVENTORY

As stated in our prior Audit Report B16739, the fixed asset inventory of the Indiana School for the Blind is not complete as to additions and retirements and assets have not been consistently tagged upon receipt. Additionally, an annual physical inventory of assets owned has not been conducted.

Each state agency is required to report to the Auditor of State all additions and retirements of assets with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Assets at the minimum level of \$500 must be tagged. Assets should be tagged upon receipt. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

INDIANA SCHOOL FOR THE BLIND
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2004, with Mr. James Durst, Superintendent. The official response to the audit findings has been made a part of this report and may be found on Pages 7 through 9.



INDIANA SCHOOL FOR THE BLIND
7725 NORTH COLLEGE AVENUE
(317) 253-1481

OFFICIAL RESPONSE

August 10, 2004

Mr. Charles Johnson III, State Examiner
State Board of Accounts
302 W. Washington Street, Room E418
Indianapolis, Indiana 46204-2738

Dear Mr. Johnson:

The Indiana School for the Blind (ISB) has chosen Option Number 4 to respond to the March 31, 2004 State Board of Accounts Audit.

EXCEPTIONS

1) FIXED ASSET INVENTORY

The fixed asset inventory of the Indiana School for the Blind (ISB) is not complete as to additions and retirements and assets have not been consistently tagged upon receipt. Additionally, an annual physical inventory of assets owned has not been conducted.

RESPONSE

The items noted as "not entered" in the existing database have been verified and entered.

A plan of action has been established to record all additions and retirements over \$500 and to tag all assets upon receipt. A computer has been placed at the receiving desk in Shipping and Receiving so all items can be entered and tagged as they arrive, or are surplus. ISB is also in the process of purchasing fixed assets software along with hand-held bar code readers, so that an annual physical inventory can be conducted once the Fixed Asset Master List is received.

2) TRUST FUND

UNCLAIMED PROPERTY

The Indiana School for the Blind's Trust Fund account has several student's trust accounts which were inactive due to a student leaving the school without leaving a forwarding address. When the accounts were inactive for an unspecified period of time, the funds were transferred to the Recreation Fund. Indiana Code requires a holder of property presumed abandoned and subject to custody as unclaimed property to report in writing and pay or deliver the property to the Attorney General.

RESPONSE

The ISB staff has reviewed those inactive accounts and made contact with the appropriate person to resolve the account.

The plan of action is that accounts still inactive on June 30th of the previous year, will be reviewed for inactivity and if those particular students cannot be located then their funds will be forwarded to the Attorney Generals Office, and this will continue as a procedure.

3) DAILY DEPOSITS

The Indiana School for the Blind did not consistently deposit receipts for Trust Fund within the following business day.

RESPONSE

All public funds shall be deposited with the treasurer of state or an approved depository selected by the Treasurer of State not later than the business day following the receipt of funds.

4) ACCOUNTING RECORDS

The Indiana School for the Blind uses a computerized accounting system that is not approved by the Board of Accounts for its Trust, Recreation and Canteen funds. The computerized accounting system does not have an adequate audit trail of posted transactions. Transactions are easily modified or deleted.

RESPONSE

The Board of Accounts does not have an approved accounting system for these accounts. The Indiana School for the Blind uses the QuickBooks Accounting System and feels it is appropriate for these accounts. There is an audit trail in place, where the general ledger and financial statement are pulled at the time of reconciliation. The system also is able to generate an Audit Trail report of our activity in the system by date. However, ISB will meet with Paul Gray of the State Board of Accounts to review other accounting systems and to ascertain if a change in policy might relieve the QuickBooks problem.

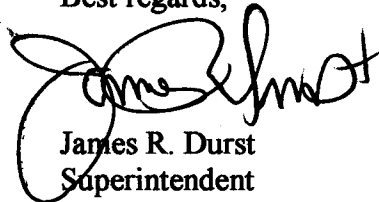
5) INTERNAL CONTROLS-SEGREGATION OF DUTIES

We noted the following concerning the controls over the receipting, disbursing, recording and accounting for financial activities of the Student Trust. One individual records transactions to the ledger, writes the checks, creates the deposits, reconciles the checking account and creates the monthly reports.

RESPONSE

The Indiana School for the Blind has changed its Policies and Procedures for receipting, disbursing, recording and accounting for financial activities of the Student Trust Fund. One Account Clerk (Ms. Curry), a) writes the checks and b) creates the deposits; and another Account Clerk (Ms. Diemer), c) reconciles the checking account and d) creates the monthly reports.

Best regards,

A handwritten signature in black ink, appearing to read "James R. Durst", is written over the typed name and title.

James R. Durst
Superintendent

cc: Hal D. Owens, Assistant Superintendent